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30 SEP 1975

The Honorable George H. Mahon
Committee on Appropriations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

I have received your letter of September 25, 1975, to Mr. Lynn covering the House Appropriations Committee action on the Intelligence Community budget request for Fiscal Year 1976 and the Transition Quarter. In a separate letter I have set forth some observations on the overall recommendation as it applies to the Intelligence Community. In this letter I would like to note three or four points about the Committee report which impact on the budget request for the Central Intelligence Agency.

First, I would like to compliment the Committee on the review conducted. The formal hearings and subsequent examination of the program were both comprehensive and detailed. Judging from the product of this review, I believe we provided the Committee with the information it needed to carry out its responsibilities and that the basic points we attempted to convey were well understood. I have certain detailed observations about the Committee's recommendations, however, which I believe I should share with you. In some cases these will form the basis for an appeal I will shortly be making with the Senate Committee on Appropriations.

First, with respect to the deletion of [REDACTED] I am aware that the SAFE system is expensive and that certain risks attend its development. At the same time, however, I believe that the

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costs and risks are more than balanced by the potential long-term gains to be achieved by the system. We in the Intelligence Community have been criticized, justifiably I believe, for allocating a disproportionate portion of our energies to harnessing technology in support of our collection activities while ignoring what that same technology might do for the production analyst. The SAFE program represents an attempt to right this imbalance. Recognizing that we are already partly through this fiscal year, however, I believe that the provision of [redacted] 25X1 1976 for this project would adequately provide for our needs, and I will so recommend to the Senate.

Second, concerning [redacted] reduction in the program of the Office of Development and Engineering, I fully understand your desire to limit increases for new starts in research and development during this period of uncertainty. However, the full amount I have proposed is necessary to bring up-to-date technological support of our clandestine service which, as you are aware, is increasingly successful in recruiting agents in areas important to our national security. 25X1

With respect to the funding [redacted] I shall address this matter separately since I believe the existing arrangements for managing and funding this national activity should be retained. 25X1

Finally, with respect to the use of the Reserve to supplement the 1976 appropriation, developments since the Subcommittee's original consideration of the Agency's 1976 budget request have lowered the Reserve to [redacted] Those 25X1 developments include three Reserve releases [redacted] 25X1 of which the Committee is aware. It was for this reason that we sought approval of the Office of Management and Budget for an amendment to our pending request [redacted] 25X1 While the timing of this from the point of view of the Committee's deliberations was unfortunate, the fast-breaking developments in the world situation which necessitated this request were not of our making. We therefore had little choice but to request these funds.

I will therefore in my appeal to the Senate ask that consideration be given to appropriation of the full amount requested for Reserve replenishment.

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This point gives rise to another. In computing the reduction for the Transition Quarter, the Committee provided a Transition Quarter budget of [] in appropriations recommended. The 1976 program level recommended for CIA [] reflecting []

In order not to unduly disrupt vital on-going progress during the Transition Quarter period, our request to the Senate Committee on Appropriations for the Transition Quarter will seek retention []

There are three further points on which I would like to comment.

I note that the Committee is asking its Surveys and Investigations Staff to study the possibility of transferring [] SIGINT program to the Consolidated Cryptologic Program. This study will make a worthwhile contribution to our joint understanding of the historical reasons for CIA participation in SIGINT. I myself believe that it will also raise compelling arguments for continued CIA participation.

The Committee has further recommended a study [] with the possibility of either transferring the major part of this function []

[] It is my view that Agency-run secure communications are vital to the conduct of clandestine activities. I believe also that our overseas communication activities are becoming vital

Finally, I find that the Committee has accepted our estimate of the reduction we can afford in Southeast Asia but has not similarly accepted our modest proposal to use some of these savings in the pursuit of some equally unexpected developments in other areas. I refer specifically to the necessity of pursuing our collection against []

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[redacted] of the need for some inexpensive method to disseminate selected photography electrically in the Washington area and the need to improve the deteriorating physical environment in which our computers must operate. I agree that there was not time for a full review of such unexpected requirements either with OMB or with the Congress. However, in discussing our appropriation with the Senate, I do intend to use such examples to press our appeal.

Respectfully,

~~W. E. Colby~~

W. E. Colby
Director

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